



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 5/11/2001

GAIN Report #CA1072

Canada

Competitor

Canada-Chile Free Trade Agreement Opens Market for French Fries, Beans, Peas and Pet Food 2001

Approved by:

Norval E. Francis, Jr.

U.S. Embassy

Prepared by:

Matthew A. Cahoon

Report Highlights:

According to Trade Minister Pettigrew, Canada and Chile are increasing their market shares and competing in new areas of non-traditional exports. Canada and Chile agreed on appropriate compensation for a safeguard measure that has been imposed on Canadian wheat. The compensation will take the form of accelerated tariff elimination on imports of Canadian French fried potatoes, dried beans and peas, and pet food. Tariffs on these products were to be eliminated over the next two years, but following yesterday's agreement, will be eliminated almost immediately.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

TRADE AGREEMENT WITH CHILE SHOWS POSITIVE RESULTS

The following is based on a May 11 press release from the Canadian Department of Foreign Affairs and International Trade. Please note that all values are in Canadian dollar currency.

International Trade Minister Pierre Pettigrew attended a meeting of the Canada-Chile Free Trade Agreement (CCFTA) Commission yesterday in Santiago where he praised the agreement for helping to create prosperity for the two countries.

"The Canada-Chile Free Trade Agreement offers convincing evidence that free trade agreements do in fact provide economic benefits for both partners," said Minister Pettigrew. "The success of this free trade agreement is a strong demonstration for other countries in the hemisphere pursuing the path of modernization and development. The evidence is clear - both Canada and Chile are increasing their market shares and competing in new areas of non-traditional exports."

Canada and Chile agreed on appropriate compensation for a safeguard measure that has been imposed on Canadian wheat. The compensation will take the form of accelerated tariff elimination on imports of Canadian French fried potatoes, dried beans and peas, and pet food. Tariffs on these products were to be eliminated over the next two years, but following yesterday's agreement, will be eliminated almost immediately.

"I am very pleased we have come to an agreement with the Chileans," added Minister Pettigrew. "I hope to continue to strengthen our successful trading partnership in the future."

The CCFTA entered into force on July 7, 1997. Canada is the only industrialized country with which Chile currently has such a treaty. Since 1997, economic relations between the two countries have grown immensely. Bilateral trade in merchandise has increased 33% to \$1.25 billion. Investment has also increased, with Canada becoming the second largest investor in Chile. Canada is the only country to have its exports levels to Chile recover lost ground following the 1997 economic downturn in much of Latin America.

The annual commission meeting is held to review the state of the agreement and discuss further ways to improve bilateral economic relations. In addition to attending the commission meeting, Minister Pettigrew participated in a round table on the achievements and challenges after four years of free trade, hosted by his Chilean counterpart, Minister of Foreign Relations Soledad Alvear.

BACKGROUNDER:

CANADA-CHILE FREE TRADE AGREEMENT: A SUCCESS STORY IN THE AMERICAS

Success in Canada

- Canadian exports to Chile have increased 27% since 1999, rising to \$700 million in 2000.
- Canada has increased its market share of the Chilean market, rising each year since 1996, while the market share of competitors has steadily fallen.
- Many non-traditional exports are some of Canada's fastest growing sectors:
 - Telecommunication equipment increased 221% to \$80.3 million (duty-free since 1997).
 - Denim fabric has increased 232% to \$2.25 million (duty-free since 1997).
- Canada's major exports to Chile include electrical machinery, machinery, cereals, paper and paperboard, mineral fuels, plastics, and automobile parts and accessories.
- Chile is one of the most diversified markets for Canadian exports, meaning that more products from more sectors are exported to Chile than to other markets.
- While the largest share continues to be devoted to mining, Canadian investments have diversified into other sectors including financial services, energy, forestry, telecommunications, manufacturing and infrastructure.
- Canadian investments in Chile have risen 57% since the Canada-Chile Free Trade Agreement (CCFTA) entered into force.

Success in Chile

- Chile's growth during the nineties averaged 6.6%, the highest in the hemisphere.
- The incidence of poverty has declined dramatically, from about 45% in the late eighties to close to 17% today.
- The Chilean government is moving ahead with a progressive legislative agenda, improving the lot of workers.
- Chile is a leader in pension reform, judicial reform and the shift into e-government.
- Chilean exports to Canada in 2000 rose 31.7% over 1999 to a record \$555 million, and have risen 59% since entry into force of the CCFTA.
- Chile has also been increasing its market share of Canadian imports, up 33% since 1998.

- The Canadian market is the second fastest growing market for Chilean exports.
- Major exports to Canada include copper ores, fruit and nuts, wine, wood, fish and seafood, and iodine.

The Canada-Chile Free Trade Agreement

- Chile was the first bilateral free trade partner of Canada outside of NAFTA.
- Canada was the first G-7 country to sign a free trade agreement with Chile. The United States is currently negotiating its own free trade agreement with Chile.
- Canada believes that trade agreements complement labour and the environment. The Canada-Chile side agreements on labour and environmental co-operation have led the two countries to share experiences and develop best practices.

Find Us on The Web:

Visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1041	Trade Minister Pettigrew Discusses Canada-Chile Free Trade Agreement	3/9/2001
CA0078	GOC and Singapore to Explore Free Trade Deal	6/6/2000

Contact: FAS/Ottawa e-mail: usagr@istar.ca